

**Notice No.:** 98-006

**Date:** July 15, 1998

**Applies to:** All Employers

**Subject:** Summary of 1998 Legislation

This Notice summarizes the bills passed during the 1998 legislative session that affect employers and members of the Washington State retirement systems. It does not offer legal interpretations or detailed instructions for bill implementation. You will receive additional information later this year regarding any legislation that may require changes in your reporting to the Department of Retirement Systems (DRS) or your processing of retirement information.

### **SSB 6306—Creates the School Employees' Retirement System**

**Applies to:** School District and Educational Service District Employers

**Summary:** Creates the Washington School Employees' Retirement System (SERS) beginning September 1, 2000. Initial membership of SERS Plan 2 consists of all Public Employees' Retirement System (PERS) Plan 2 members who are classified employees employed by school districts and educational service districts (ESDs). New classified employees hired into eligible positions on or after September 1, 2000, are mandated into SERS Plan 3. Following are highlights of the plan:

The SERS Plan 3 benefit structure is identical to the Teachers' Retirement System (TRS) Plan 3 benefits structure.

SERS Plan 2 members who transfer to SERS Plan 3 by February 28, 2001, and establish service credit for January 2001, will receive a transfer payment equal to 65 percent of their January 1, 2000, PERS Plan 2 accumulated contributions.

The transfer payment for TRS Plan 2 members who transferred to TRS Plan 3 prior to January 1998 is increased from 40 percent to a total of 65 percent of their January 1, 1996, TRS Plan 2 accumulated contributions. Qualified TRS Plan 3 members will receive the additional 25 percent payment in July 1998.

---

Provides for biennial payment of a portion of extraordinary investment gains to members of TRS Plan 3 and SERS Plan 3.

—Gain sharing will occur when the average rate of return on trust fund investments for the previous four-year period exceeds 10 percent. The amount beyond 10 percent is considered extraordinary.

—One-half of the return over 10 percent on the combined TRS Plan 2 and Plan 3 trust fund will be available to make lump sum payments to eligible Plan 3 members. A member's service credit total is part of the formula used to determine the member's share.

Language added to RCW 41.50 states if an employer error causes a loss of investment return for a Plan 3 member, the employer is liable and must pay this amount to DRS. DRS will apply the payment to the member's account. The statute also states if DRS causes a loss of investment return for a Plan 3 member, DRS must make payment to the member's account.

The Joint Committee on Pension Policy will review the potential effects of merging TRS Plan 2 & Plan 3 with SERS Plan 2 & Plan 3. A report will be provided to the Legislature in January 1999.

Effective date for most sections of this bill is September 1, 2000.

Information regarding the implementation of SERS will be provided in upcoming DRS Notices.

## **ESHB 2491— Sharing of Extraordinary Investment Gains**

**Applies to:** PERS, TRS, LEOFF Plan 2 and Certain Judicial Retirement System (JRS) Members

**Summary:** Provides extraordinary investment gains sharing by increasing certain retiree benefits. Gain sharing will occur when the average rate of return on trust fund investments for the previous four-year period exceeds 10 percent. The extraordinary investment gain on PERS Plan 1 and TRS Plan 1 trust funds will be applied in two ways:

One-half of the return over 10 percent will be used to increase retiree benefits. The extraordinary gains will be used to fund a "pop-up" for pre-1996 retirees of JRS, TRS Plan 1 and Plan 2, PERS Plan 1 and Plan 2, and LEOFF Plan 2 who selected a survivor option and have been pre-deceased by their beneficiaries. The retiree's retirement benefit will increase to a standard benefit when DRS receives notification of the beneficiary's death. Current and future gains will also be used to increase the Uniform COLA for PERS Plan 1 and TRS Plan 1 retirees.

The second half of the return over 10 percent will be applied to shortening the period for paying off unfunded liabilities in PERS Plan 1 and TRS Plan 1.

---

## **SHB 2544—Creates a Pension Funding Council**

**Applies to:** All Employers

**Summary:** This bill creates the Pension Funding Council, which will adopt pension contribution rates and the long-term economic assumptions used in setting and adopting pension contribution rates. The Council will first adopt rates in September 1998 that are effective beginning September 1, 1999.

Membership will consist of the chairs and ranking minority members of the House Appropriations and Senate Ways and Means Committees; the directors of the Department of Retirement Systems (DRS) and the Office of Financial Management (OFM).

The bill provides for a Council workgroup, soliciting employee and employer organizations for recommendations, a public hearing on recommended contribution rates, and audits of State Actuary valuation studies.

## **SB 6303—Purchasing Service Credit and Pre-1973 Service at WSU**

**Applies to:** All Employers

**Summary:** The bill gives members who did not purchase or restore prior service credit within statutory time limits the option to do so by paying the full actuarial value of the prior service. The bill allows employees at Washington State University (WSU) who are members of PERS Plan 1 to purchase service credit for employment periods at WSU prior to 1973.

## **ESB 6305—Death Benefit for PERS General Authority Peace Officers**

**Applies to:** PERS Employers

**Summary:** Provides a \$150,000 death benefit to survivors of PERS Plan 1 members employed as general authority police officers by the higher education institutions or public ports who die from injuries sustained in the course of employment.

## **SHB 2922—Clarifying Trusteeship Roles and Responsibilities**

**Applies to:** Political Subdivision Employers and State Agencies

**Summary:** Places the assets of the Washington State Deferred Compensation Program (DCP) into trust for the exclusive benefit of participants and their beneficiaries. The new law names the Washington State Investment Board (WSIB) as the trustee. Consequently, participant funds will no longer be subject to potential claims of employers' creditors. The trust becomes effective June 11, 1998.

---

The bill changes and clarifies the roles of the WSIB and Employee Retirement Benefit Board (ERBB) concerning the selection and management of investment options for DCP participants. The WSIB also becomes responsible for establishing investment policy and developing participant investment options after consulting with the ERBB. The bill declares that the state is not liable for any loss or deficiency resulting from reasonable efforts to implement member investment choices.

## **HB 2369**

### **SSB 6181—Denying Retirement Benefits to Slayers**

**Applies to:** All Employers

**Summary:** Provides that a person who kills a retirement system member or retiree may not receive survivor benefits as a result of the death of the member or retiree.

## **HB 3053—Providing a Deadline for Teachers' Retirement System (TRS) Plan 3 Lump Sum Payments**

**Applies to:** All TRS Employers

**Summary:** Provides that if a TRS Plan 3 member has a terminal illness and terminates employment, the member may choose to have the balance in the member's account distributed as a lump sum payment based on the most recent valuation. DRS must make this payment within ten working days after the receipt of notice of termination of employment; documentation verifying the terminal illness; and an application for payment.

## **Questions?**

If you have questions about any of the bills summarized in the Notice, please contact Carole Mills in the Legislative/Legal Affairs Unit, (360) 709-4746. DRS staff are available to respond to members' questions at (800) 547-6657 and select option 1 from the menu.

This Notice can be accessed on the DRS Web site at <http://www.wa.gov/DRS/employer/>

John Charles  
Director

---

## 1998 DRS Notices

For a copy of a Notice, call (360) 586-0052.

<b>Notice No.</b>	<b>Applies to/ Subject Matter</b>
98-001	<b>All Employers</b> Changes to Excess Compensation Definition
98-002	<b>All Employers</b> Toll Free Telephone Service Implemented
98-003	<b>Office of the Administrator for the Courts</b> New Judges <i>Pro Tempore</i>
98-004	<b>All Employers</b> Year 2000 Information and Employer Reporting Requirements
98-005	<b>Political Subdivision Employers</b> Deferred Compensation Program Assets to be Held in Trust
98-006	<b>All Employers</b> Summary of 1998 Legislation